

# TIPPECANOE COUNTY TREASURER NEWSLETTER



*June 6, 2008*

## Local Option Income Tax

Property taxes fund many types of local government services such as schools, libraries, city government and county government such as the court system. However, local option income taxes also support many of these services financially as well.

The local option income tax is paid on taxable income through payroll deductions and finalized through your annual State Income Tax return. Collections by the State Department of Revenue are distributed to the County Auditor, who in turn, distributes to each eligible taxing authority. The current Tippecanoe County Income Tax rate is 1.1%. Three separate rates make up that total rate with the proceeds distributed in different ways

County Option Income Tax (COIT)	0.6%
Economic Development Income Tax (EDIT)	0.4%
Local Option Income Tax (LOIT)	0.1%
Total Tippecanoe County Income Tax	1.1%

The COIT income tax collections are distributed to all of the local entities who receive property tax payments with the exception of the state, school districts and the solid waste district. This includes the townships, cities, towns, county, libraries and the city bus. The amount each receives is based on the amount of property tax each receives. If, for example, the total countywide billing for the Tippecanoe County Library is 10% of the total countywide property tax billing (not including state, school and solid waste tax billings), the Library would receive 10% of the COIT income tax collections. COIT revenues are generally deposited into the taxing authorities General Fund. In addition, some COIT revenues are held back and used for property tax relief for owner occupied properties in the form of an additional Homestead Credit.

Amounts by Year	2007	2006	2005	2004
COIT Collections to Taxing Units	\$13,975,559	\$13,802,766	\$11,827,244	\$13,017,101
COIT Homestead Amount	\$2,397,276	\$1,733,067	\$1,759,083	\$1,546,228
Total COIT Revenues	\$16,372,835	\$15,535,833	\$13,586,327	\$14,563,329

The EDIT income tax revenues are distributed to the cities and towns as well as to the county for economic development projects. The EDIT funds are distributed to the eligible taxing units the same method as with the COIT dollars, dividing the funds up based on the amount of property tax dollars billed but with a few less taxing entities involved. Using this method, the cities increase the size of their piece of pie when annexation occurs as their overall levy increases. Included in the amount of property tax billing for the county is the welfare levy. As the welfare levy has increased at a greater rate than the cities and towns levies, the county share also increased at a higher rate. In 2009 when the welfare levies are removed from property taxes, an adjustment to the formula will be made so county government does not take a big hit when the income tax collections are distributed.

In 2007, the Tippecanoe County Income Tax Council (made up of the Councils of the cities and towns in the county as well as the County Council) increased the local option income tax rate by 0.1% for an additional LOIT Homestead Credit. Beginning with the taxes paid in 2007, businesses no longer are assessed for inventories therefore reducing the overall assessed valuation of the county. When overall assessments decrease and overall levies stay the same or increase, higher property tax rates will increase. The LOIT income tax generates enough funds to establish an additional Homestead Credit to neutralize the impact of removal of the inventory on owner occupied properties. None of the LOIT collections are distributed to taxing units but rather used for tax relief.

<u>Amounts by Year</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
EDIT Collections to Taxing Units	\$10,968,079	\$10,401,785	\$9,078,093	\$9,717,237
LOIT Homestead Amount	\$2,742,020	\$0	\$0	\$0
Total EDIT/LOIT Revenues	\$13,710,099	\$10,401,785	\$9,078,093	\$9,717,237

The total local option income tax of 1.1% generates over \$5 million of property tax relief for the property owners of Tippecanoe County through additional Homestead Credit percentages. All county residents on their incomes, regardless of property ownership, pay the taxes. The General Assembly has made it clear that a move from property tax to income tax will be made in the future. Although only \$5 million of the \$146 million billed in Tippecanoe County is a very small percentage, income taxes paid by all resident workers are used to help fund expenses of local government.

### **Tippecanoe County Property Tax Due Date**

As of today, no expected billing date or tax due date has been set for Tippecanoe County. The Auditor soon will be certifying the 2007 pay 2008 net assessed valuations to the State. The Auditor should receive property tax rates should be received the property tax rates within 6 – 8 weeks of certification. The hope is to have two installments of taxes in 2007 but the calendar may force us into one collection if any additional delays arise. Stay tuned for updates.